

DRAFT

Governor's Blue Ribbon Water Task Force

Meeting Notes
December 15-16, 2004
Albuquerque, NM

Attendees: Brian Burnett, Anne Watkins, Tim Murrell, Larry Blair, Conci Bokum, Frank Chaves, Wayne Cunningham, Eileen Grevey Hillson, Steve Hernandez, David Hughes, Howard Hutchinson, Mark Koffler, Sarah Kotchian, Elmer Lincoln, Paul Paryski, Elmer Salazar, Cyle Sharp, Manuel Trujillo, Bob Vocke, and Jack Westman attended the meeting. Vicki Fisher and Jim O'Neal attended as guests.

The next meeting of the BRWTF will be January 26th in Santa Fe, NM. The Task Force will focus on its agenda (proposed starting point: big-picture, long-term [planning, financing, & governance]) for the coming year (including education and travel).

Vicki Fisher and Jim O'Neal discussed potential approaches to water project financing and the following points were made:

- NM needs \$150-200M/year (\$4-6B total) to invest in water (e.g., drinking water, wastewater, compacts, adjudication, water administration/management, water resource understanding) and these investment needs are competing with each other;
- A dedicated revenue stream is needed that can be used for bonding;
- NM's approach to investing in water must be equitable (the water user fee as currently proposed is not equitable);
- Water ownership (rights) is an issue (e.g., Pueblos/Tribes, Treaty of Guadalupe Hidalgo, beneficial use rights, state, and federal);
- Water users don't pay for water, they pay to have water delivered;
- Need to clarify capital vs. operating;
- Need to differentiate between local and state-wide;
- Need to understand who administers the funds and why;
- Water users could pay for acquisition of future water;
- End users should pay for their water;
- State-wide, a small property tax could be used (we all use water), 1 mill would be about \$35M (therefore, 5 to 7.5 mills needed, which would require a state-wide vote, there is an existing 1.5 mill levee at the local level);
- An income tax increase for water financing is unlikely;
- A gross receipts tax of 0.25 cents would generate \$85M state-wide, but eliminating the tax on food will require off-setting revenue;
- There is little chance of selling a \$120M/year capital plan to the legislature (a revenue source is needed and the legislature would most likely look to cities and counties to collect e.g., gross receipts tax);
- Taxing water diversion is a big equity issue;
- Impairment of future water rights is an issue;
- Dedicating the funding for bonding is an issue, one could pursue a constitutional amendment or bond right away, which is respected by the legislature (permanent funds are not completely safe);
- Other taxes (e.g., excise) can be used, but one needs to convince people of the need;
- When taxing, it is important to cover as many people as possible with a small tax considering local vs. state-wide issues;
- The legislature can allow counties to raise taxes for water projects (county can enact or go to the voters);
- Rural vs. urban equity issues exist and must be considered during project financing;
- Water project beneficiaries should drive project financing and funds collecting;
- Regional water authorities could be formed to assist with water project financing;

- Soil and Water Conservation Districts (47 in NM) have mill levee authority (3 mill max. with most less than 1/4, and the tax base can be a problem) and the legislature could designate that a portion of the mill levee come to the state (some districts are already at the maximum, therefore, uniform state-wide coverage is not possible);
- A gross receipts tax would include tourists and might be preferable to a property tax;
- One could establish a future needs “water projects” and designate part of the permanent fund for those needs;
- One could consider establishing a real estate transfer fee fund;
- One could consider establishing a state impact fee similar to city impact fees (this would be viewed as anti economic development);
- No matter which funding approach is pursued, each approach will have its own issues and will be a lot of work;
- Real estate taxes are the least liked;
- A NM First town hall on the issue might be appropriate;
- One could break the funding approaches down into local, district, and state-wide (one would still need to be able to finance at the appropriate level);
- One needs to distinguish between O&M costs and capital;
- Establishing and selling the need for water financing is key (a crisis is needed and we aren’t there yet in terms of a compelling story, the legislature is currently dealing with one small crisis/compelling story at a time), in addition, it will take substantial funding to deal with this crisis);
- One needs to sell the Governor on the crisis first;
- It is one thing to engage the legislature on the crisis this session and another to enact the tax increase that is needed;
- A special session to deal with the water crisis is not likely;
- Pursuing one small piece of the funding at a time is not getting the job done – a coherent package is needed, an overarching package considering water quantity and quality is needed; and
- If a dedicated fund is established, there currently isn’t a single point for decision-making or consensus criteria (e.g., State Water Board).

The Task Force concluded the financing discussion by deciding that it would focus its agenda for 2005 during its January 2005 meeting. The following observations were made:

- Areas of focus might include planning, financing, and governance;
- The Task Force is advisory to the Governor (Governor has requested big-picture & long-term advice from the Task Force);
- The Task Force should review the NM First town hall water recommendations;
- The Task Force should review the comprehensive water legislation proposed during the Johnson administration;
- A comprehensive state-wide list of all water funding needs is not available;
- One needs to review NM statutory requirements (planning, financing, and governance [e.g., there are 8 statutes for water supply]) for water;
- One should look at what other states are doing from a planning, financing, and governance perspective;
- One needs to consider OSE/ISC priorities (e.g., settlements and Active Water Resource Management), RWP, and SWP;
- One could bin water in three areas (conservation, yield, & supply/delivery); and
- The Task Force might consider how progress has been made relative to education in NM and apply these lessons to water.

The Task Force received a brief update on the Pecos River and the following points were made:

- Appeals to the settlement are essentially over;
- A big push is being made for the \$30M;
- Well field M&O funds are needed (the State has told locals that they need to raise the money and this is a problem, it could be put in the Strategic River Reserve); and

- NM received less credit from the flood flows than anticipated (the stream gage was wiped out).

The Task Force discussed Active Water Resource Management and the following observations were made:

- The water master appointed on the Lower Rio Grande would only have jurisdiction over groundwater (metering of GW wells [not domestic] is required by January 2006);
- County fee collection is required on a monthly basis (a bill this session could change this requirement);
- Supplemental GW wells in EBID are treated as SW (unique to irrigation districts, administered as part of the project supply);
- Scope of water master for LRG is not known (e.g., # of FTEs, office space, transportation); and
- Qualification requirements for AWRM water masters will increase salary requirements.

The Task Force received an update on the Water Trust Board and the following observations were made:

- Legislation will be submitted to fund the 16 projects selected (10 or 11 are regional);
- Funding is being requested for on-the-ground project implementation oversight (NMFA currently provides limited oversight);
- The Interim Committee is concerned that the Water Trust Board is a band aid approach to funding water projects (not strategic investments);
- The WTB is re-evaluating criteria for funding projects;
- Funding of phased projects is an issue that must be resolved;
- The WTB is gathering information on how other states approach funding water projects; and
- The State is making incremental progress in funding water projects.

Tim Murrell discussed the 2004 State Water Plan Implementation Report

(<http://www.seo.state.nm.us/water-info/NMWaterPlanning/state-water-plan.html>) and the following

observations were made:

- Teams conducted interviews to status progress (quality checks need to be done);
- Lack of funding and other resources have delayed implementation in some cases;
- Implementation reporting will occur for 4 more years (the SWP is to be revised after 5 years);
- The SWP Implementation Report was made to ISC last week;
- Milestones and owners/accountability are needed for purposes of reporting status;
- It should be indicated where progress was constrained due to resource limitations;
- One should tie the Implementation Report together with LFC & DFA reports for the upcoming session;
- A closer tie is need between the Implementation Report and OSE/ISC work (e.g., project schedules);
- Priorities for the coming year should be indicated; and
- Regional water plan implementation/integration with SWP implementation needs to be reflected in the Implementation report.